Failures of the national policy for sustainable development of Bulgaria – economic dimensions

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17 November 2017

Online at https://mpra.ub.uni-muenchen.de/84221/
MPRA Paper No. 84221, posted 29 Jan 2018 06:42 UTC
FAILURES OF THE NATIONAL POLICY FOR SUSTAINABLE DEVELOPMENT OF BULGARIA – ECONOMIC DIMENSIONS

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Abstract

Bulgaria is a member of the EU since 2007. The country has issues with its economic policy, which issues could have negative impact over the EU’s policies as a whole. When the economic policy of a Member State is blemished by a systematic strategic misconceptions, it is necessary this to be analyzed in depth. The debate, about the future of the EU after BREXIT and the concept about multi-speeded Europe is consequence of the efficiency of the economic and political systems in each individual Member States. Economic challenges arising by the failure of Bulgarian’s national policy for sustainable development for the period 2000-2015, are examined in this publication. In terms of the economic globalization and energy and ecological regulations, remedies for the identified strategic misconceptions are proposed.

Keywords: European union, economic policy, sustainable development, Bulgaria, economics growth

Introduction

In 2017, the European Union stands on a crossroad. There are five scenarios for its future development proposed by the President Jean-Claude Juncker in the “White Paper on the Future of Europe”.¹ Few of the scenarios offer multi-speeded Europe. The questions, which this new situation will raise, are as follow:

Can Europe really run on two speeds?

Which speed are the new member-states running on?

Would it be beneficial for Europe to enhance its cohesion and convergence policies or allow the countries with “advanced” economy to carry on developing further and turn into the “European Union locomotive”?

Would it be possible for Bulgaria to cope with the Presidency of the Council of the European Union in 2018? 2

This work examines the strategic economic policy failures of one of the recently joint Member States “Bulgaria” in order to identify if those failures could lead to failures of EU policy. There is no greater economic challenge for Bulgaria of this to overcome the lack of an effective long term strategic goal-setting planning that captures all the national policies including the strategic sustainable development planning. The lack of such goal-setting planning stimulates the continuous collision between the different economic sectors policies and has negative impact over the international reputation of Bulgaria.

In this regard, the main purpose of the current study is to analyze the strategic economic dimensions of the failures of Bulgarian’s national policy for sustainable development.

The object of the research is the Bulgarian’s policy for sustainable development and its subject is the national economy, examined as a system of macroeconomic relations.

The main thesis of the publication is that Bulgaria will cause risks to the development of the EU economic system for the next decades if no strategic oriented and long-term national sustainable development policy is implemented. In this regard the national strategic documents in the field of sustainable development will be analyzed in the study.

The structure of the study consists of two parts. In the first part of the study, the failures of the national strategic document for economic policy of Bulgaria are identified. In its second part it is examined what kind of effects the strategic errors in the economic policy cause. The paper brings the following implications to the theory and practice:

First of all, it will be of interest for the readers from all EU member-states. Even though it is focused on the Bulgarian’s national policy for sustainable development, it studies what is the impact of the failures of this policy over the European Union policy. The current situation in the EU, such as BREXIT and multi-speeded Europe, is a result of the problems that new EU member-states like Bulgaria and Romania face. According to the old EU member-states (Great Britain, Benelux countries,

etc.) the EU development is unsatisfactory and in this way the main statements and conclusions of the article will contribute to be revealed the reasons for the current situation in Europe. It will also help a successful model for the development of the EU to be implemented in order BREXIT and multi-speeded Europe to be overcome.

Secondly, the paper study in depth the national strategic documents of Bulgaria in the field of sustainable development and clarifies what has caused the failures of this policy. Bulgaria is the only EU member state that has no National sustainable development strategy. It is important also to be analyzed how the energy policy of Bulgaria impacts the environment.

Thirdly, the article gives answers to the reasons for the high migration rate of Bulgarians to the old member-states. This issue is of great importance for both types of countries (new and old member-states) as they become depopulated and the others have problems with their labor market and insurance systems. According to the authors of the paper, these problems are mainly caused by the incorrect economic policy of the government which does not take into account the sustainable development priorities.

**Bulgarian’s national sustainable development policy as an oxymoron**

The National Development Program of Bulgaria 2020 (NDP BG 2020) adopted by the Council of Ministers in 2012 is the strategic document, which is supposed to replace the absent “National sustainable development strategy”.³

According to the Ministry of Finance of the Republic of Bulgaria the National Development Programme: Bulgaria 2020 is integrated document presenting the link between the EU priorities in the context of the Europe 2020 Strategy and the Bulgarian national priorities. National Development Programme: Bulgaria 2020 considers all approved strategic documents in order to secure complete coordination between different implementing policies in the country. It is also the basis for the elaboration of the Partnership Agreement with the European Commission for the 2014-2020 period.⁴

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³ NPD BG 2020 is adopted through Council of Ministers decision № 1057/20.12.2012 (in Bulgarian)
The importance of NDP BG 2020 and the fact that it is the main strategic document for economic policy of Bulgaria put the emphasis of the work on analyzing the program.

The research is focused on those points of the program which according to the authors of the current publication, are identified as failures. They are studied in the order they appear in the structure of NDP BG 2020.

In the “Introduction” part (p.5) of the program, the “national decisions for growth” and the way in which Bulgaria will achieve strong economic development in the future are the priority goals. In accordance with the “National Development Program of Bulgaria 2020”, the country will face challenges in “achieving higher national economy competitiveness in the conditions of global financial and economic crisis and accumulated social deficits”.

Only two of the three pillars for sustainable development are mentioned in the main goals of NDP BG 2020 - the economic and social pillars are listed but the ecological one is not.

The main assumption (p.7) for developing Bulgaria’s national economy for the period 2010-2020 is achieving annual economic growth of 2.7%. This value is significantly less than the necessary rate of convergence with the average EU economic level. According to the GDP per capita indicator, the planned value for economic grow in Bulgaria is 4 times lower than the average values in the EU. As a consequence of this the main goal of the NDP BG 2020, “Bulgaria to boosts its economic grow” will not be achieved. Unfortunately, the newly joint country will not even be able to achieve green economic growth.

The statement above is supported also by the fact that the environment as a main component and factor for sustainable development (p.9) is not included in the eight priority axes of the NDP BG 2020.

However, only one component of the environment (“sustainable development of the natural resources”) is mentioned briefly in priority axis 4 as part of the agricultural sector development. Moreover, according to NDP BG 2020’s authors the agricultural sector is the industry where goods with very high gross added value are produced (p.9). As a result, the measures that must be taken in this field are briefly specified in sub-priority 4.5 “Sustainable use and management of natural resources” (p.66-67, p.130). They are related to the preservation of agricultural

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land and forestry resources, which are an insignificant part to cover the policy for sustainable use and management of the natural resources. In this priority axis, measures for sustainable development of the minerals and global public goods are not proposed. Consequently, it is not correct in a national strategic document to be written that the policy for sustainable use and management of the natural resources is done only by assessing the impact over agricultural land and forests.

The preservation of the Environment is missing in the title of priority axis 3, named "Achieving sustainable integrated regional development and use of local potential". The topic about the Environment is mentioned briefly at the end of page 17 in sub-priority 3.5. First of all, according to the authors of the NDP BG 2020 the preservation of the environment itself, has no importance for the sustainable development policy. As far as the preservation of environment is mentioned on page 17, it is done at the end of the sub-priority, where the measures for development of tourism are described. As a result, the following question arises - does the tourism bring much more economic and social benefits than the preservation of environment? Secondly, the envisaged measures to be taken to preserve the environment of Bulgaria till 2020 fully match the obligatory measures which the country must fulfill as a member-state till 2020 in the field of EU environment law. However, this fact undermines the strategic character of the document and turns it into a juxtaposition of already existing EU regulations and directives. As a result, the principle of complementarity of efforts for achieving higher standards than the legally minimum of guaranteed welfare of the nation is missing.

All the measures in sub-priority 3.5 are briefly described (p.56-60; p.123-126). They are just duplicate of previous Bulgarian regulations and law acts. For example the envisaged measures for effective waste management in the NDP BG 2020 match the measures, listed in the National Law Act on Waste Management, adopted 15 years ago (2003). Another example is that the envisaged measures for flood risk prevention, mentioned in the NDP BG 2020, fully match the Flood risk management plans, adopted in the National Law Act on Waters management in 1999.

An interesting fact is that, even the authors of the strategic document have recognized some of the measures as ineffective and inappropriate. On page 171 of the Three year Action Plan for implementation of the NDP BG 2020 (2016-2018) it is written that the funding of the National system for early warning of floods, disasters and accidents has been suspended without any financial guarantee for the future.
In priority 7 “Energy security and increasing the resource efficiency”, sub-priority 7.5 “Increasing the efficiency of use of resources” is presented in a few pages only (p.86-87; p.154-157). This sub-priority consists of two measures: (i) introduction of low-carbon, energy-efficient and waste-free technologies and (ii) recovery and recycling of a large amount of waste. Most of the actions for implementation of the measures sound so general and vague that it is difficult to be analyzed. Even in the action plans for the implementation of the NDP BG 2020 the proposed measures in this sub-priority are outdated as a concept and bring no complementarity to the legal acts (Action Plan 2014-2016, p. 158-164). For example: the amendments of national legislation related to (i) promotion of innovations, (ii) changing the eco-fiscal tools and licensing regimes, (iii) encouraging the exchange of good practices among companies and eliminating the state funding for polluting industries were also listed in the National Environment Strategy and the National Action Plan (2000-2006), implemented 15 years ago. The results achieved from these measures are minimal and they should not continue to reoccur in each subsequent strategic document.

Sub-priority 8.4 “Limiting the negative impact of transport on the environment and the health of people” in the frame of priority axis 8 “Improving transport connectivity and access to markets” is presented in three measures (p.92; p.170). These measures sound again too general and entirely wishful. The limiting of harmful emissions from transport and its adverse impact over the climate is envisaged to happen through the deployment of intelligent transport systems, higher share of biofuels and use of hybrid and electric transport. However, it is not clear if the proposed measures by the authors of the NDP BG 2020 have taken into account the average vehicles age. Approximately 70% of the vehicles in Bulgaria are more than 15 years old. The use of biofuels in such outdated fleet (vehicles) is technically impossible. On the next place, as a result of the poor living standards and low purchasing power of the population of Bulgaria the authors of the NDP BG 2020 propose them purchase hybrid and electric cars which fact is unrealistic. The use of tax incentives and subsidies for purchasing a new car is also totally unrealistic having in mind the chronic budget deficits at national and municipal level. The authors of the strategic document have recognized some of the measures as ineffective and inappropriate. On page 329 of the Three Year Action Plan for implementation of the NDP BG 2020 (2016-2018) the state funding for purchasing a new hybrid or electric car has been suspended due to regulatory barriers in the national and European legislation. The creation of favorable environment for

higher growth in the intermodal freight and passenger transportations is envisaged to happen by encouraging the use of public, inland waterway, sea and railway transport. Because of the outdated rolling stock which movement speeds are many times lower than the average speeds of trains in the other EU member states, this measure is unrealistic.

Impact of the contradictions in NDP BG 2020 over the Bulgarian economy

The listed contradictions in the strategic framework for sustainable development impact over the macroeconomic policy of the country. The main negative effects are as follows: retention of the quality of life, increasing migration which leads to negative demographic processes (changing the size of active working force and affecting the level of tax and social security burden, consumer costs) and etc.

One of the main failures of NDP BG 2020 is the contradiction between sub-priority 7.5 “Increasing the efficiency of use of resources” and sub-priority 7.1 “Ensuring energy security of the country” (p.83). It is stated there that the balance between the available energy resources in the country and the European goals for pure energy will be encouraged:

„In accordance with the Energy strategy of the Republic of Bulgaria till 2020, a balance between the available energy resources of the country and the European goals for pure energy will be encouraged…“.

However, according to the Energy strategy of Republic of Bulgaria till 2020, the available energy resources of Bulgaria are lignite, which are highly emissions and carbon intensive (Sulphur, nitrogen oxides, fine particulate matters, mercury, furans, dioxins and etc.):

„Efficient utilization of the indigenous energy resources: an emphasis in the national energy strategy from the viewpoint of security and sustainability is preservation and development of the coal industry with strict observation of the environmental protection standards. In relation to that the existing coal potential of Bulgaria will be utilized to the maximum.“ 7

Having in mind the aforementioned statement, it is clear that according to sub-priority 7.1 Bulgaria will utilize to the maximum its indigenous highly emissions intensive lignite and at the same time in accordance with sub-priority 7.5 the

7 Energy Strategy of the Republic of Bulgaria till 2020, adopted by Bulgarian Parliament Decision since 01.06.2011, p.5
country will protect the environment and will improve the efficiency of the resources utilization. In fact, both sub-priorities exclude each other, which fact is unacceptable for a strategic document, which functions as a national strategy for sustainable development such as the NDP BG 2020.

In 2015, the European Commission referred Bulgaria to EU Court of Justice, because of the high air pollution levels. In 2017 the EU Court of Justice judged Bulgaria for the same reason (Case C-488/15).

On the next place, in its final report from 2016 (Table A2.1, p.58), the World Health Organization ranked Bulgaria on second place in the world for the ambient air pollution and global assessment of exposure and burden of disease (118 deaths per 100 thousand people, caused by air pollution with fine particulate matters).

This happens three years after the adoption of both the Energy Strategy of the Republic of Bulgaria till 2020 and the NDP BG 2020. Obviously, the implementation of above mentioned strategic documents has not brought the necessary benefits for the country.

According to the European Environment Agency the amount of economic damage caused by air pollution in Bulgaria is measured to be 2.6% of GDP. This is a result of the poor technology performance of the energy and industry sector.

The poor technology performance of industry and energy sector leads to poor quality of life and increased migration of Bulgarians to the other EU member-states.

The poor quality of life in Bulgaria is well illustrated by the Human development index according to the Human Development Report 2015 of the United Nations Development Program (UNDP). Bulgaria is ranked on 59th place in this index and the country is out of the category “very high human development” among which is Chili (42), Bahrein (45), Montenegro (49) and etc. The leader in the category “very high human development” is Norway, followed by Australia, Switzerland, Denmark.

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The Netherlands, Germany and etc.\textsuperscript{12} Bulgaria falls in the next category “high human development”, preceded by Belarus (50), Russian Federation (50), Uruguay (52), Bahamas (55), Kazakhstan (56), which countries are not EU member-states.

The place of Bulgaria in the ranking shows unsatisfactory quality of life, compared to the other EU-member states. The poor quality of life in Bulgaria is caused mainly by the air pollution which results in more diseases and high mortality rate of population according to the aforementioned report of the World Health Organization.

The objections against the relationship between high mortality rate and air pollution could be directed towards the poor age structure of the population. According to the National Statistical Institute of Bulgaria, in 2015 - 34\% of the population of the country is over 55 years old.\textsuperscript{13} This structure of aging population corresponds with higher mortality rate, caused by natural deaths.

On the other hand, however, the poor age structure of the population is a result of the higher migration rate due to the high air pollution and poor health conditions in Bulgaria. Young people migrate and the older people stay in the country. According to the Report of the United Nations Development Program 2015 (p.235), in the next fifteen years the population of Bulgaria will decrease with one million and in 2030 it will go down by 6,2 mli. citizens. The forecasted decline of Bulgarian population is confirmed also by EUROSTAT database, according to which in conservative scenario the population of the country will decrease to 6,4 mli. citizens till 2030.\textsuperscript{14} Most of those one million Bulgarian citizens will move to the other EU member-states.

Even if the reasons for the large percentage of the migration rate are not related to the poor environment conditions, the solution of the problem is related to development of a strong economic policy. Unfortunately Bulgaria is the only country in the EU in which a National strategy for sustainable development is missing.\textsuperscript{15}


\textsuperscript{13} National Statistical Institute of Bulgaria „Studying the population in age, place of residence and sex“, 2016 (in Bulgarian) http://www.nsi.bg/bg/content/2977/ , (accessed on 6.03.2017)


Conclusions

The EU main goal till 2020 is to make its economy innovative, sustainable and inclusive and in this way to put the emphasis on the future development of the member-states. At the same time, intelligent, sustainable and inclusive growth could not be reached without a national strategy for sustainable development and through existing failures of the National Development Program: Bulgaria 2020.

Even not taking into account the indicators for sustainable development and sustainable growth, Bulgaria is seriously lagging in its economic development. According to the GDP per capita indicator in 2015 in EUROSTAT database, its value for Bulgaria is estimated to be 6,100 Euros while the EU average level (EU-28) is 28,800 Euros.

Consequently Bulgarian growth is neither sustainable nor economic. When the country is lagging behind the economic development of the other EU member-states we could not talk about growth. The projected 2.7 % annual growth of GDP in the NDP BG 2020 compared to the dozens of times greater basis for the calculation of the indicator in the other member-states leads to significant lagging of the country compared to the other EU countries. The low extensive economic growth of Bulgaria leads to its permanent lagging in the global competitiveness which lagging can’t be caught up in the future. Growth, economic growth and sustainable growth do not have the same meaning. The lack of sustainable growth results in poor quality of life, because of the environment pollution; low efficiency of the health care services; social exclusion and inequality. This is the reason for the high migration rate of population, especially of young and educated people. Such situation significantly narrows the possibilities for innovative economy development. It also disturbs the balance in the population age structure and leads to budget deficits of the social security system.

The term “sustainable development” is neither a trivial concept that should be formally written in strategic documents, nor it is lacking economic sense. Conversely, until its crucial meaning for the economic policy of Bulgaria is not realized in the right way, the country will continue to lag behind the global economic processes. That is why it is necessary strategic documents, such as the National

Development Program of Bulgaria 2020 to be substantially revised in order it to go beyond a framework of mechanical compilation of trivial terms and clichés.

The main goals of a strategic document should be both realistic and ambitious and not limited to the framework “business as usual”. Moreover, these goals should be synchronized one to another but not excluding each other.

In this regard, the failures of NDP BG 2020 should be eliminated by the proposition of the following measures:

• Ambitious economic growth and convergence (much higher than 2.7%) to be boosted. In this way Bulgaria will turn into an adequate future member of the Eurozone. It must be taken into account that before the global economic crisis (2006-2008) Bulgarian’s economic growth exceeded 6% according to the EUROSTAT database.18

• Real measures for restructuring of the economy as a whole are needed in order Bulgaria’s economic growth to be intensive not extensive as it is the situation at the moment. The focus should be put on innovations and economy of knowledge.

• The preservation of the environment should be one of the core priority axes of the NDP BG 2020. The economy of innovations is also green economy.

• The increasing migration of young Bulgarians should be limited and better living conditions must be guaranteed through green and high economic growth.

Bulgaria should strive for ambitious economic development and this goal must be the main priority of all of its strategic documents. If this goal is not achieved, the country will be a burden to the EU.

Having in mind the identified systematic errors in the Bulgarian strategic economic policy, the debates for multi-speeded Europe seem absolutely real.

References


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efektívnosť verejnej správy – malé a stredné podnikanie – európske hospodárstvo

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Bratislava, 9. novembra 2017
Medzinárodný programový výbor

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Prezentácia aktuálnych trendov a perspektívnych výziev v rozvoji verejnej správy, malého a stredného podnikania, ako hybnej sily rozvoja regiónov. Znalostná ekonomika a rozvoj vedomostného potenciálu. Prezentácia výsledkov vedecko-výskumnej činnosti v oblasti verejnej správy, regionálneho rozvoja a malého a stredného podnikania v SR a v zahraničí. Konferencia bude tiež miestom na nadviazanie a prehĺbenie vzájomných kontaktov s domácimi a zahraničnými vysokoškolskými ustanovami, vedecko-výskumnými pracoviskami, orgánmi a inštitúciami verejnej správy a hospodárskej praxe.

Tematické zameranie konferencie:
- Transparentná verejná správa, poskytujúca efektívne a kvalitné služby podporujúca udržateľný rast, tvorbu pracovných miest a sociálnu inklúziu. Podpora znalostnej ekonomiky, konkurencieschopnosti a podnikania malých a stredných podnikov.
- Budovanie kvalitnej, odbornej a transparentnej verejnej správy.
- Znalostná ekonomika a rozvoj vedomostného potenciálu.
- Modernizácia verejnej správy, odstraňovanie disparít s aplikáciou príkladov dobrej praxe.
- Kvalita poskytovaných verejných služieb na miestnej, regionálnej a národné úrovni a stimulácia účasti občanov na verejnej správe.
- Vzdelávanie a podpora podnikania, budovanie centier výskumu a spolupráce.